

SACS ACCOUNTING COMMITTEE

Minutes

November 8, 2000

I. New Remittance Advice

- A. Sharon DeLong of CDE's Accounting Office discussed the pilot project in which CDE is a participant to streamline the cash disbursement process. The new procedures, which may begin in January 2001, will speed the transmission of cash to LEAs but which will reduce the amount of information now available with the check. Sharon asked questions of the Committee on the process of COEs working with their County Treasurers to identify and post all cash receipts. Several suggestions were made by the Committee to enable personnel at COEs to identify the recipient LEAs when money arrives at the Treasurers' Office. The abbreviated space on the remittance advice does not give as much information as the field would like.
- B. For 2000-01, CDE has a new series of PCA numbers that now use all five digits. 13XXX and 14XXX indicate federal money. 23XXX and 24XXX indicate state money.

II. Accounting Issues

- A. Common errors found in 1999-2000 unaudited actual data. (See list at end of minutes.)

In reviewing the unaudited actual data submitted, we have found several common errors. Most of these are the same as the errors we found in the 1997-98 data and the 1998-99 data. It is possible that in the future, CDE may change some of the warning (W) errors into fatal (F) errors once SACS is fully implemented because often these errors must be fixed before we can add the LEAs data to the statewide data.
- B. There are many who are questioning the indirect cost rate (ICR) carry-forward figures. For a detailed explanation, we direct people to the letter of September 16, 1996, which is available on the Internet at:
<http://www.cde.ca.gov/sfsdiv/financial/indirect.htm>

The 1999-2000 software Instruction Manual also references the addition of the 2nd prior year recovery amount to the indirect cost rate calculation. Per Dee Salerno of CDE, this year was the final step in a process that began in 1996, adjusting the current indirect cost rate to reflect the under-or over-charge made in prior years because the approved rate is always two years old. The U.S. Department of Education has determined the mechanics of the fixed-with-carry-forward computation, and a copy of this explanation with a sample calculation is available if you contact Dee at dsalerno@cde.ca.gov.

- C. There is a lot of confusion about the proper accounting for Resource 7005 now called the “Categorical Growth and COLA per ADA” funding. In fact, the SACS Frequently Asked Questions are incorrect. A good description how to account for this resource is in the 1999-2000 Instruction Manual. New FAQs were passed out, and these will be posted to the Internet as soon as they are approved.
- D. For a good explanation of the new award programs and the proper resource codes to use, go to <http://www.cde.ca.gov/psaa/awards>.
- E. Approval of the December 2000 version of CSAM has been pulled from the November agenda of the State Board of Education. Hopefully, it will be approved during the December meeting, at which point it will be put on the Internet.
- F. Peggy O’Guinn asked for feedback on creating a new object code for Medicare to automatically extract the data for the Gann Limit forms. The problem is that 50% of all LEAs have already implemented or are in the process of implementing, and adding a new object code to a payroll account is onerous. On the other hand, 50% of LEAs have not yet implemented and could include a standardized code for Medicare in their accounts. The Committee seemed to feel that adding a new code at this time was unacceptable. CDE encourages input from as many LEAs as possible to determine what would work best for the majority.
- G. We discussed many accounting questions from the audience, including the following:
 - 1. pass-through grants and the proper resource coding
How do you code Prop 10 money? This money is known by many names such as Prop 10 money, “Children First”, or “Tobacco Money”. Most LEAs receive this money from their county government. If they receive it as a pass-through grant, passed through the county to the LEA from the State of California, then the proper resource is some variation of Resource 7810 Other State. If they receive the money as a grant from the County itself, not as a pass-through) or as a contract for services, then the proper resource is a variation of 9010 Other Local.
 - 2. special education goals and functions
It is important that LEAs understand that the special education goals and functions as they are presented in the December 1999 CSAM are the only valid goals and functions allowed in 2000-01. It is also important that the special education instructional functions be coded to one of the specific special ed goals, not to Goal 5001 Undistributed.
 - 3. Resource 6285 Community-Based English Tutoring Program
The appropriate goal to use with this program is either a variation of Goal 1110 Regular Education, any of the 3XXX goals for which the program may be aimed, or Goal 4760 Bilingual. This program has

been developed to help bilingual students who need help learning English. Use of Goal 8100 Community Services is not appropriate, because the intent of the program is not to benefit the community as a whole, as are such projects as maintaining community parks or setting up emergency centers in case of a disaster.

Appropriate functions used with this program are either Function 1000 Instruction for the costs of providing instructional services or Function 2490 Other Instructional Resources if the parents or other adults are served more directly than the students themselves.

III. Software Update

A. The TRAN software is working well generally, but there are some flaws that need to be corrected. LEAs need to review their data carefully; the errors we are seeing might be easily spotted if the LEA compares the TRAN results with the prior year's J 141. The software is designed to work exactly like the J 141. Joanne Chini reviewed a few of the errors we have seen so far, but we will make available a detailed list after we have reviewed more of the submitted reports. Typical errors include:

1. not multiplying the number of students times the instructional days to get the total pupil transportation days
2. including revenue from other sources that should not be reported on the TRAN, such as fees from parents or student councils for field trips
3. including expenditures for "other miles" that should be excluded from the TRAN
4. revenue received from other LEAs to provide services should match the amount reported on the SP/SR reports
5. Payment of excess costs to other LEAs who are providing transportation should not be coded to Resource 7230 or Resource 7240 or with Object 5800.
6. Leslie McCage prefers that expenditures for Special Education Transportation should be coded by salaries, benefits, supplies, and contracts rather than by Object Code 5710.

B. The Technical Review Checklist for Fund 09 Charter Schools will be corrected to allow for more valid combinations and better checks. One of the issues discussed is the possibility of using the site field to identify at the state level the charters that are combined in Fund 09. If this decision is made, CDE will allow lead time to make sure all LEAs are aware of the change before it is implemented.

C. We reviewed the use of the Goal X Function chart that was included in the 1999-2000 software. It is important that LEAs understand that this is an abbreviated table and that the CDE software is not checking the goals used with functions other than the instructional, ancillary, or community service

functions. The software of the LEA may need to be adjusted to allow those other combinations which are allowable but which are not checked through the Goal X Function table.

IV. Other Topics

- A. Peggy O'Guinn was available to answer any questions about GASB 34 and how SACS might handle the reporting requirements.
- B. CDE had e-mailed the participants to discover what the opinion of users on whether to maintain exact names and phone numbers of program contacts or whether to use the more general name of the unit administering the funding with the number of its front desk. There were 50 responses that were evenly divided between both options. CDE will advise the field if we change the current attempt to identify the proper contact person.
- C. For information about the funding for the 2000-01 budget, check out the current *Report on the Budget Act of 2000* available at <http://www.cde.ca.gov/sfsdiv/budgetact/>
This report contains good descriptions of the programs with contact names, as well as connections to the Budget Act and to Education Code for further information on specific sources of funding.

Common Errors in 99/00 Unaudited Actuals

1. Resource X Object

- a. "Grants" are not open to elements of fund balance. Carryover is booked as Deferred Revenue. On the other hand, "entitlements" are not open to Deferred Revenue, and carryover is accounted for in ending fund balance.
- b. There are three object codes for contributions:
 - Object 8980 is used when transferring unrestricted money into a restricted program. It usually indicates encroachment.
 - Object 8990 is used when transferring restricted money into another restricted program. It is used for pooling resources for such projects as Schoolwide Programs (SWP), School Based Coordination Program (SBCP), or Categorical Growth & Cola (Resource 7005).
 - Object 8998 is the new flexibility transfer, used for the 25%/20% transfer between approved state categoricals.

2. Function X Object

- a. Every expenditure must have a function. Function 0000 is not allowed for expenditures.
- b. Combinations of functions to objects for salaries:
 - The instructional function should use Object 1100 Teacher Salaries and 2100 Instructional Aides. (Instruction is direct teaching of students, working with students to teach them something.)
 - Object 1300 Certificated Supervisors and Administrators and Object 2300 Classified Supervisors and Administrators should not be combined with the instructional function. Project directors are not instructional.
 - Object 2400 Clerical should not be used with the instruction function. They may be helping teachers, but unless they are in the classroom working with the students, they are not providing an instructional function. If they are in the classroom working with the students, they probably should be classified as Teaching Assistants, Object 2100.
- c. Objects 6100 Sites and 6200 Buildings should only be combined with Function 8500 Facility Acquisition and Construction.
- d. The 7xxx objects other than Object 7310 and 7350 are combined with Function 9000 Other Outgo. For example, tuition is not an instructional function because your LEA is not providing the instruction. It is Other Outgo.
- e. Object 4700 Food is only used with Function 3700 Food Services.

- f. Object 5500 Housekeeping (Utilities) is only used with Function 7700 Data Processing and Function 8XXX Plant Services.
- g. Code retiree benefits to the relevant function from which the retiree served. Function 9400 Retiree Benefits is no longer valid.

3. Fund X Goal

The capital projects funds and the Deferred Maintenance Fund are not open to instructional goals. Capital projects serve all populations and so should use an undistributed goal. These funds also are not open to the instructional function.